

Message Text

SECRET

PAGE 01 KINGST 01642 01 OF 03 101822Z

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 /031 W
----- 110180

O 101700Z MAY 74
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC IMMEDIATE 4685

S E C R E T SECTION 1 OF 3 KINGSTON 1642/1

EXDIS

EO 11652: GDS
TAGS: EMIN, PINT, US, JA
SUBJECT: BAUXITE SITREP 44

1. A SOURCE IN MINEXTAFF HAS PASSED TO CHARGE A COPY OF A LETTER FROM PRIME MINISTER MANLEY TO THE SECRETARY WHICH HAS BEEN TRANSMITTED TO THE JAMAICAN EMBASSY IN WASHINGTON FOR DELIVERY TO THE DEPARTMENT. WE UNDERSTAND THAT THE JAMAICAN EMBASSY IN WASHINGTON HAS BEEN INSTRUCTED TO DELIVER THE LETTER NEXT WEEK. THE LETTER IS DATED MAY 8, 1974, BUT IS IN EFFECT A MEMORANDUM OF CONVERSATION COVERING THE MEETING BETWEEN THE PRIME MINISTER AND SECRETARY OF MARCH 13, 1974. MANLEY IS OBVIOUSLY MAKING A RECORD IN ANTICIPATION OF A CONFRONTATION WITH THE UNITED STATES OVER BAXUITE AND WE MUST EXPECT THAT THE TEXT OF THIS LETTER WILL BE RELEASED TO THE PUBLIC SHOULD SUCH A CONFRONTATION DEVELOP. TEXT OF LETTER FORWARDED HEREWITH.

2. BEGIN TEXT

8TH MAY, 1974

THE HON. DR. HENRY KISSINGER,
SECRETARY OF STATE,
STATE DEPARTMENT
WASHINGTON, D.C.
U.S.A.

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IT HAS OCCURRED TO ME THAT IT MIGHT BE USEFUL WERE I TO ATTEMPT TO RECORD THE HIGHLIGHTS OF OUR PRIVATE DISCUSSION ON MARCH 1 ON MARCH 13, CONCERNING THE BAUXITE INDUSTRY IN JAMAICA. AS I RECALL, I BEGUN BY POINTING OUT THAT THERE WAS A TENDENCY IN THE WORLD TO CONFUSE ECONOMIC INITIATIVES WITH POLITICAL POSITIONS IN INTERNATIONAL AFFAIRS. HENCE, COUNTRIES WHICH SOUGHT, FOR EXAMPLE, NEW ARRANGEMENTS WITH MULTINATIONAL CORPORATIONS ACTING WITHIN THEIR NATIONAL BOUNDARIES FACED THE DANGER OF HAVING THIS ACTION INTERPRETED AS INDICATING POLITICAL HOSTILITY TO THE WEST. AGAINST THIS BACKGROUND I STRESSED THAT JAMAICA, WHILE A THIRD WORLD COUNTRY IN TERMS OF OUR GENERAL ASPIRATIONS AND APPRECIATION OF OUR ECONOMIC POSITION, WAS NONETHELESS, STILL A FIRM FRIEND OF THE WEST. WE BELIEVE STRONGLY IN DETENTE, MAINTAIN FRIENDLY RELATIONS WITH ALL NATIONS SAVE THOSE WITH A RACIST POLICY AND HOPE THAT THIS WILL EVENTUALLY BECOME A UNIVERSAL ATTITUDE.

I BEGAN WITH A BRIEF DESCRIPTION OF JAMAICA'S SITUATION. I REMINDED YOU OF THE EXTREME POVERTY WHICH JAMAICA CONTINUES TO FIGHT AND POINTED OUT THAT PART OF OUR PROBLEMS STEM FROM THE EFFECT UPON OUR DEVELOPMENT EFFORTS OF THE CONSTANT, ADVERSE MOVEMENT IN OUR TERMS OF TRADE. IN THIS CONNECTION I INDICATED THAT WE REGARDED THE SURGE IN PETROLEUM PRICES AS MERELY A FINAL LINK IN A CHAIN OF EVENTS THAT CAN BE TRACED BACK TO THE CHRONIC PROBLEM OF THE TERMS OF TRADE AND WHICH HAD RECENTLY BEEN EXACERBATED BY THE SPECTACULAR RISE IN WHEAT, SOYA, FERTILISER AND OTHER PRICES OF IMPORTED GOODS UPON WHICH WE DEPEND.

I THEN DESCRIBED BRIEFLY THE INITIATIVES WHICH WE HAVE TAKEN IN RELATION TO OUR OTHER MAJOR EXPORTS SUCH AS SUGAR AND BANANAS WHERE WE HAVE SOUGHT TO RE-NEGOTIATE PRICES AS PART OF A GENERAL STRATEGY OF ECONOMIC SURVIVAL. I REFERRED TO THE FACT THAT METROPOLITAN INFLATION TOGETHER WITH OIL PRICES HAD A DOUBLE EFFECT: IN THE FIRST PLACE, IT MEANT THAT OUR OWN PRODUCTION COSTS WERE SOARING BECAUSE OF OUR DEPENDENCE ON IMPORTED INPUTS; AND, IN THE SECOND PLACE, THAT WE HAD BEEN BROUGHT TO THE VERGE OF DISASTER IN THE AREA OF OUR BALANCE OF PAYMENTS.

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AGAINST THIS BACKGROUND, I OUTLINED THE POSITION OF THE BAUXITE INDUSTRY AND POINTED OUT THAT THIS NATURAL RESOURCE WAS THE MOST IMPORTANT SINGLE ELEMENT IN OUR GENERAL STRATEGY.

IN DISCUSSING OUR BAUXITE STRATEGY, I SUGGESTED THAT A NEW SITUATION HAD ARISEN IN THE WORLD AND REQUIRED A COMPLETELY NEW RELATIONSHIP BETWEEN ANY MULTI-NATIONAL CORPORATION EXPLOITING

BAUXITE AND JAMAICA HERSELF. I SAID THAT OUR STRATEGY HAD FIVE ELEMENTS:

(1) IT WAS GOING TO BE NECESSARY TO SUBSTANTIALLY INCREASE OUR TAX TAKE FROM THE INDUSTRY AND THAT THIS WOULD INVOLVE NEW PRINCIPLES CONCERNING THE VALUE OF THIS ASSET.

(2) IT WAS GOING TO BE NECESSARY TO DEVISE A NEW FORMULA THAT WOULD BRING TO OUR NATIONAL ACCOUNTS FOR BALANCE OF PAYMENTS PURPOSES A FAR GREATER PROPORTION OF THE VALUE OF THE BAUXITE AND ALUMINA THAT IS EXPORTED.

(3) WE HAD DECIDED THAT WE HAD TO RE-ACQUIRE FOR JAMAICA SURFACE RIGHTS OVER ALL BAUXITE LANDS BUT WOULD NATURALLY BE WILLING TO GUARANTEE ACCESS TO ANY ORE THAT THE COMPANIES MIGHT REASONABLY NEED. HEWITT

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INFO OCT-01 ISO-00 SSO-00 /031 W
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FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC IMMEDIATE 4686

S E C R E T SECTION 2 OF 3 KINGSTON 1642/2

EXDIS

(4) WE HAD DECIDED TO RE-ACQUIRE FOR JAMAICA ALL ORE WHICH THE COMPANIES DID NOT PROPOSE TO USE WITHIN A REASONABLE TIME FRAME. HERE I POINTED OUT THAT WE WERE GOING TO ASK EACH COMPANY TO INDICATE WHAT ORE IT PLANNED TO USE OVER THE NEXT TWENTY-FIVE YEARS AND TO USE THIS AS THE BASIS FOR AN ALLOCATION OF SUITABLE ORE IN REASONABLE PROXIMITY TO THE COMPANIES' ACTUAL OPERATIONS.

IN THIS CONNECTION, I POINTED OUT THAT WE VERY MUCH WISHED THE COMPANIES TO INDICATE FIRM EXPANSION PLANS WHICH WOULD LEAD TO OUR ALLOCATING GREATER RESERVES THAN THOSE WHICH WOULD

PRESENTLY BE NEEDED. AT THIS POINT I PAUSED TO INDICATE THAT WE HAD COME TO THE CONCLUSION THAT THE CONVENTIONAL WISDOM OF THE PAST WHICH HAD SEEN THE HUSBANDING OF THE BAUXITE RESOURCE AS A PRUDENT ELEMENT IN POLICY, WAS MISCONCEIVED. WE NOW FEEL THAT IT IS CRUCIAL TO EXPLOIT THIS RESOURCE RAPIDLY SO THAT IT CAN MAKE THE MAXIMUM CONTRIBUTION TO DEVELOPMENT AND THAT THIS ATTITUDE WAS JUSTIFIED NOT ONLY BY THE REQUIREMENTS OF THE WAR ON POVERTY BUT ALSO BY THE FACT THAT THERE WAS EVERY POSSIBILITY THAT BAUXITE MIGHT BECOME TECHNOLOGICALLY REDUNDANT ONE DAY

AT THIS POINT YOU INTERVENED TO SAY THAT YOU DID NOT SEE WHY WE SHOULD WANT CONTROL OF THE ORE SINCE THERE WAS ONE WORLD MARKET FOR THE PRODUCT AND, PRESUMABLY, THE EXISTING CORPORATIONS WOULD EXPLOIT BAUXITE IF THE NEED FOR ALUMINUM JUSTIFIED IT. I REPLIED THAT THE MATTER WAS NOT THAT SIMPLE. I POINTED OUT THAT THERE ARE MANY COUNTRIES THAT HAVE HUGE RESERVES OF BAUXITE

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AND THAT WE WERE PUT IN AN IMPOSSIBLE POSITION WHEN THE COMPANIES CONTROLLED ALL THE ORE THAT WE POSSESS. I EXPLAINED THAT THIS LEFT THE DECISION OF WHERE TO EXPAND COMPLETELY IN THE HANDS OF THE COMPANIES THEMSELVES WHO HAD NO CAUSE TO TAKE ACCOUNT OF OUR NATIONAL NEEDS AS PART OF THEIR DECISION-MAKING PROCESS. I SAID THAT CONTROL OF OUR ORE WOULD PUT US IN THE POSITION THAT IN THE EVENT OUR EXISTING CORPORATIONS WOULD NOT AGREE TO A PARTICULAR EXPANSION, WE WOULD BE FREE TO DEAL WITH OTHER CORPORATIONS OR SEEK OTHER MEANS ON OUR OWN TO EXPAND FACILITIES SO AS TO ENGAGE MORE OF OUR RESOURCES PRODUCTIVELY.

I THEN GAVE THE EXAMPLE OF ALCAN WHICH CAME TO JAMAICA A QUARTER OF A CENTURY AGO AND HAS OPERATED TWO HIGHLY SUCCESSFUL ALUMINA PLANTS; AND THAT WE HAD TO WAKE UP ONE DAY TO READ IN THE PAPERS THAT ALCAN HAD DECIDED TO BUILD A MILLION TON ALUMINA PLANT IN IRELAND WHICH HAS NO ORE NOR ANY NEED FOR AN ALUMINA PLANT COMPARED WITH OUR DESPERATE REQUIREMENTS FOR ECONOMIC SURVIVAL MUCH LESS SOCIAL PROGRESS. I POINTED OUT THAT ALCAN HAD TAKEN THIS DECISION IN A COMPLETELY ARBITRARY AND SELF-CENTERED WAY WITH NO REGARD WHATSOEVER TO JAMAICA'S INTEREST IN THIS MATTER.

AT THIS POINT YOU SUDDENTLY RAISED YOUR HAND AND SAID THAT YOU SAW THE POINT AND INVITED ME TO PROCEED WITH MY ACCOUNT.

IN THIS CONNECTION I MENTIONED THAT JAMAICA HAS 1.5 BILLION TONS OF PROVEN, HIGH GRADE BAUXITE RESERVES AND THAT PRESENT OPERATING PLANS OF ALL THE COMPANIES COMBINED WOULD UTILIZE LESS THAN HALF A BILLION OF THIS QUANTITY BY THE END OF THE CENTURY.

(5) WE HAD DECIDED THAT THE GOVERNMENT HAD TO MOVE TO ACQUIRE

51 PERCENT OF THE OWNERSHIP OF ALL BAUXITE OPERATIONS IN
JAMAICA. HERE I STRESSED A NUMBER OF FACTORS: FIRSTLY, THAT
THE JAMAICAN GOVERNMENT DID NOT WISH TO GET THE COMPANIES OUT OF THE
COUNTRY BUT RATHER WAS POSITIVELY SEEKING TO ESTABLISH A CONCEPT
OF CONSTRUCTIVE PARTNERSHIP WITH ALL THE CORPORATIONS.
SECONDLY, WE WERE PREPARED TO PAY REASONABLE COMPENSATION FOR
SURFACE RIGHTS, ORE AND OWNERSHIP OF SHARES. THIRDLY, IT WAS
OUR INTENTION TO SET UP A BAUXITE CORPORATION OF OUR OWN WHICH WOULD
ACTUALLY HOLD THE SHARES WHICH WE ACQUIRE IN THE
INDUSTRY, WHICH WOULD BE A COMPANY IN THE USUAL WAY ON THE
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LOCAL STOCK MARKET AND WHICH WE WOULD STRUCTURE TO
ENSURE THE WIDE PARTICIPATION OF JAMAICAN CITIZENS IN THE
SHAREHOLDING. HEWITT

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 /031 W
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FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC IMMEDIATE 4687

S E C R E T SECTION 3 OF 3 KINGSTON 1642/3

EXDIS

FINALLY, I POINTED OUT THAT THE STRATEGY AS IT RELATED
TO ITEMS (3), (4) AND (5) ABOVE DO NOT REFLECT ANY PARTICULAR
POLITICAL IDEOLOGY BUT RATHER WAS THE PRODUCT OF OUR OWN
INTERPRETATION OF JAMAICA'S NATIONAL INTEREST TOGETHER WITH
A CONSCIOUS ATTEMPT TO FIND A FORMULA FOR THE RELATIONSHIP
BETWEEN THE MULTI-NATIONALS AND JAMAICA WHICH WOULD BE POLITICALLY
VIABLE FOR THE NEXT GENERATION.

IN THIS CONNECTION, I POINTED OUT THAT I HAD NO QUARREL

WITH THE ORIGINAL CONCEPT OF THE 1950'S WHICH HAD VIEWED THE RELATIONSHIP BETWEEN JAMAICA AND THE MULTI-NATIONALS AS ONE IN WHICH WE WOULD BE SATISFIED THAT EXPLOITATION OF OUR RAW MATERIAL SHOULD LEAD, AT BEST, TO A REAL THOUGH MODEST CONTRIBUTION TO NATIONAL REVENUE. I SUGGESTED THAT THE POLITICAL JUDGEMENT OF OUR FORMER LEADERS IN THAT EARLIER TIME WHICH HAD RESULTED IN THE CONCEPT WHICH UNDERLAY THE PRESENT REALATIONSHIP HAD BEEN VALIDATED AS FAR AS I AM CONCERNED BY THE FACT THAT IT HAD LASTED FOR A FULL GENERATION. I TOLD YOU THAT I SAW MY TASK AS A CONSTRUCTING A NEW RELATIONSHIP WHICH WOULD SEE US THROUGH FOR THE NEXT GENERATION.

WHEN I HAD FINISHED, YOU WERE GOOD ENOUGH TO SAY THAT I HAD PUT THE MATTER WITH A CERTAIN CLARITY BUT POINTED OUT THAT YOU WOULD OF COURSE, HAVE TO HEAR THE OTHER SIDE. I READILY AGREED. YOU THEN ASKED ME IF THERE WAS ANYTHING THAT I PARTICULARLY WANTED YOU TO DO AND I SAID THAT THERE WAS NOTHING THAT I WISHED YOU TO DO BUT FELT THAT I OWED IT TO THE SECRETARY OF STATE OF A NATION WHOM WE REGARD AS AN OLD AND TRUSTED FRIEND

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TO UNDERSTAND WHAT WE PLANNED TO DO AND WHY AND TO MAKE IT CLEAR THAT THERE WERE ABSOLUTELY NO OVERTONES OR UNDERTONES OF POLITICAL HOSTILITY TO THE UNITED STATES IN THIS MATTER.

I WENT ON TO SAY THAT I REALIZED THAT ALUMINUM WAS A STRATEGIC METAL FROM AMERICA'S POINT OF VIEW AND THAT WE WISHED TO MAKE FIRM OFFER TO MAINTAIN AMERICA'S STRATEGIC SUPPLIES WHATEVER THE OUTCOME OF THE TALKS UPON WHICH WE WERE SHORTLY TO BE EMBARKED. YOU EXPRESSED APPRECIATION OF THIS AND ASKED ME IF I HAD ANY IDEAS OF HOW THIS MIGHT BE DONE. I REPLIED THAT I FRANKLY DID NOT KNOW HOW IT MIGHT BE DONE AS I WAS NOT A TECHNICAL MAN BUT WISHED YOU TO KNOW OUR CLEAR INTENTIONS IN THE MATTER. I SAID THAT I HAD HOPED THAT YOU MIGHT BE ABLE TO INDICATE TO ME HOW THIS MIGHT BEST BE DONE. YOU REPLIED THAT YOU DID NOT KNOW EITHER BUT WOULD GET YOUR STAFF PEOPLE WORKING ON IT AND THAT YOU WOULD COMMUNICATE ANY IDEAS TO ME.

IN THIS CONNECTION IT SHOULD BE NOTED THAT YOU HAD REMARKED EARLIER THAT AMERICA DID NOT INTEND TO BE PUSHED AROUND IN THE MATTER OF COMMODITIES THAT INVOLVED HER STRATEGIC INTERESTS. I THINK THAT IT EMERGED CLEARLY IN THE DISCUSSION THAT WE WERE NOT CONCERNED SO MUCH WITH WHETHER AMERICA WOULD ALLOW HERSELF TO BE PUSHED AROUND AS TO MAKE IT CLEAR THAT WE WISHED POSITIVELY TO BE OF ASSISTANCE TO THE EXTENT THAT ALUMINUM FIGURES IN HER STRATEGIC NEEDS.

I THEN ADVISED YOU THAT I INTENDED TO CALL THE PRESIDENTS OF ALCAN, ALCON, KAISER, REYNOLDS, REVERE AND ANACONDA TO SEE ME IN JAMAICA. I WOULD OUTLINE TO THEM IN TERMS SIMILAR TO THOSE

USED TO YOU WHAT JAMAICA'S INTENTIONS WERE. IMMEDIATELY THEREAFTER, JAMAICA'S DETAILED PROPOSALS WOULD BE MADE AVAILABLE TO THEM AND A TEAM OF EXPERTS REPRESENTING THE JAMAICAN GOVERNMENT WOULD EXPECT TO COMMENCE NEGOTIATIONS WITH SUCH PERSONS AS MIGHT BE DESIGNATED BY THE COMPANIES.

FINALLY, WE AGREED TO KEEP IN TOUCH AS THE NEGOTIATIONS PROCEEDED AND I THANKED YOU FOR YOUR KINDNESS IN SPARING THE TIME TO SEE ME AT SHORT NOTICE.

I DO NOT PRETEND THAT THIS LETTER RECALLS EVERY DETAIL OF OUR EXTREMELY FRANK AND AMICABLE DISCUSSION, BUT I TRUST
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THAT YOU WILL AGREE THAT IT IS AN ACCURATE RECORD OF THE IMPORTANT ELEMENTS.

WITH MY WARM REGARDS AND RESPECTS,

YOUR SINCERELY,

MICHAEL MANLEY.

END TEXT. HEWITT

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BAUXITE, PRIME MINISTER, ECONOMIC CONDITIONS, PUBLIC DISCLOSURE, POVERTY, MEETINGS, DIPLOMATIC COMMUNICATIONS, MINING INDUSTRY, FOREIGN POLICY POSITION, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAY 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KINGST01642
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740114-1017
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740558/aaaabzpf.tel
Line Count: 359
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 17 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 SEP 2002 by kelleyw0>; APPROVED <11 FEB 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BAUXITE SITREP 44
TAGS: EMIN, PINT, US, JA, (KISSINGER, HENRY A), (MANLEY, MICHAEL N)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005